BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans	Rulemaking No. 13-12-010 (Filed December 19, 2013)

COMMENTS OF EAGLE CREST ENERGY COMPANY ON PRELIMINARY SCOPING MEMO

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Eagle Crest Energy Company ("Eagle Crest")[1] respectfully submits these comments on the Preliminary Scoping Memo provided in the Order Instituting Rulemaking ("OIR") in this 2014 Long-Term Procurement Plan ("LTPP") Proceeding.

I. INTRODUCTION

This proceeding represents an important point of departure for the State. Over the past ten years, California has dramatically changed the composition of its energy portfolio to one that is approaching and will soon exceed 33% renewables. That effort has brought new challenges into sharper relief in the last few years, such as the difficulty of integrating renewables that are intermittent and require flexible resources to firm them. At the same time, the difficulty of meeting other challenges -- such as achieving the State's ambitious long-term climate change objectives -- has also come into sharper relief. This LTPP cycle needs to frame the issues in a way that gets at these challenges now, not later, given the long lead time required to find the proper procurement and transmission framework. As discussed below, Eagle Crest believes pumped storage greater than 50 MW can provide the integration solution for a high renewables portfolio standard ("RPS") scenario to achieve the climate change goals required under the law and should be examined in the LTPP.

Indeed, Eagle Crest believes that the most fundamental deficiency in the present LTPP framework is its short-term scope and its siloed approach. State law requires that emissions levels be reduced dramatically by 2050, and yet procurement decisions are being considered that undermine those goals. Eagle Crest believes that all procurement and transmission planning must be evaluated based on a long-term imperative.

[1] Eagle Crest is developing the 1,300 MW Eagle Mountain Pumped Storage Project near Desert Center, California.

II. COMMENTS

A. The Procurement Planning Proceeding Issues Scope Should be Expanded

Section 3.1 of the OIR sets out the general issues for the 2014 procurement planning cycle. As further explained below, Eagle Crest believes that paragraph (1) should be amended to read:

> Identify CPUC-jurisdictional needs for new resources to meet local or system resource adequacy (RA), operational flexibility, **renewable integration challenges in a 33/40/50% scenario to achieve long- and short-term climate change objectives,** or other requirements **or goals** and to consider authorization of IOU procurement to meet that need. This includes issues related to long-term renewable planning**, integration of renewable resources and the evaluation and possible procurement of pumped storage resources larger than 50 MW to meet these goals,** and need for replacement generation infrastructure to eliminate reliance on power plants using OTC.

1. Renewable Integration

Eagle Crest recommends that the Commission expand the scope of the Procurement Planning Proceeding Issues to include the identification of resources to meet renewable integration needs under various RPS scenarios that may be necessary to achieve the State's climate change imperatives. Although the Commission recognizes elsewhere in the scoping memo that it anticipates that the electricity system will need to be able to "integrate renewable and other preferred resources,"[2] Eagle Crest believes the importance of this issue merits its inclusion among the "general issues for the 2014 procurement planning cycle."[3]

The need for the Commission to address head-on issues relating to the integration of renewable resources has never been clearer. The recent release by Energy and Environmental Economics, Inc. ("E3") of its long-awaited report entitled "Investigating a Higher Renewables Portfolio Standard in California" (hereinafter the "E3 Report") underscores the urgency of the situation.[4] The E3 Report identifies substantial overgeneration of renewable resources once the State exceeds the 33% RPS target, which it is well on the way to achieving when distributed

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[2] *See* OIR at p. 11.
[3] *See* OIR at p. 8.
[4] E3, "Investigating a Higher Renewables Portfolio Standard in California" (January 2013), *available at* http://www.ethree.com/documents/E3_Final_RPS_Report_2014_01_06_with_appendices.pdf.

rooftop solar is also considered. The overgeneration problem is summarized in the following chart from the E3 Report:[5]

Overgeneration Statistics	33% RPS	40% RPS	50% RPS Large Solar
Total Overgeneration			
GWh/yr.	190	2,000	12,000
% of available RPS energy	0.2%	1.8%	8.9%
Overgeneration frequency			
Hours/yr.	140	750	2,000
Percent of hours	1.6%	8.6%	23%
Extreme Overgeneration Events			
99th Percentile (MW)	610	5,600	15,000
Maximum Observed (MW)	6,300	14,000	25,000

In order to reduce the risk of substantial curtailment of renewable resources, the Commission needs to enable effective planning integration solutions, including the procurement of resources like the Eagle Mountain project which can mitigate the problem of renewable integration. The specified scope of the 2014 LTPP process should accordingly reflect this objective by specifically identifying as one objective the need for the IOUs to evaluate and, if cost effective, procure pumped storage solutions.

2. Long- and Short-Term GHG Reduction Planning

Adding long- and short-term greenhouse gas ("GHG") reduction planning to the scope of the 2014 LTPP is required to achieve them. Simply put, the parties must factor in the impacts of utility procurement on the achievement of California's climate change goals in this procurement cycle. Beginning in 2005, California has had two primary GHG reduction targets: (1) reduce GHG emissions to 1990 levels by 2020, and (2) reduce GHG emissions to *80 percent below* 1990 levels by 2050.[6]

Notwithstanding the progress made by the State on the 2020 target, relatively little has been done with regard to climate reductions by 2050. Indeed, the LTPP scope is currently too narrowly focused on the near term and needs instead to take a longer view. Renewed load growth throughout the State coupled with significant increases in GHG emissions in the power sector

[5] *See* E3 Report at p. 14.

[6] *See* California Executive Order S-3-05 (June 1, 2005).

caused by the closure of the San Onofre Nuclear Generating Station ("SONGS") have made the challenge of achieving California's ambitious goals more difficult.[7] Given the time required to develop a power project in California (7-9 years, and sometimes longer) coupled with the long-term nature of such investments (often 30 years or longer), the decisions made in this proceeding will impact the pathways to achieve our 2050 goals. Accordingly, the Commission must ensure that this LTPP cycle cultivates a procurement environment that fosters the dramatic changes necessary to achieve our long-term climate change objectives.

3. Pumped Storage Resources Larger Than 50 MW

As a function of integrating renewables and meeting the State's GHG reduction objectives, the Commission should expressly include within the scope of this proceeding a direction to the utilities that they consider and, if cost effective over a long-term horizon, procure pumped hydroelectric storage resources larger than 50 MW to meet long-term requirements. Pumped storage perfectly complements the wind and solar PV focused portfolios of the IOUs by providing a utility scale solution to the overgeneration and operational issues first identified in the now infamous "duck chart," and more recently confirmed in the E3 Report. Pumped storage avoids the issue of having to curtail the operation of renewable resources while providing much needed flexible and dispatchable generation. In the process, pumped storage can reduce market swings and improve the efficiency of existing and planned thermal generation throughout the year.

In addition to improving integration and efficiency, pumped storage offers a feasible and cost-effective means to reduce GHG emissions at scale. By storing renewable energy at times when it is not needed and then making it available at times when it is, pumped storage offers one possible way of ensuring the availability of dispatchable GHG-free electricity around-the-clock. For all these reasons, procurement of pumped storage resources should be directly addressed in the LTPP.

Commission Decision 13-10-040 "strongly encourage[d] the utilities to explore opportunities to partner with developers to install large-scale pumped storage projects where they

[7] *See, e.g.,* Laura Olson, "San Onofre Shutdown Causes Concern About Greenhouse Gas Emissions," Associated Press (July 11, 2013), http://www.huffingtonpost.com/2013/07/11/san-onofre-nuclear-power-plant-shutdown_n_3579265.html (A Southern California Edison official "said the utility's greenhouse emissions rose last year after [SONGS] shut down . . . . In 2012, 30 percent of the utility's electricity came from carbon-free resources, said David Mead, senior vice president for transmission and distribution planning. That's down from 2011, when San Onofre was still running and 50 percent of the utility's electricity came from carbon-free nuclear, hydroelectric and renewable sources, Mead said.").

make sense within the other general procurement efforts underway in the context of the LTPP proceeding or elsewhere."[8] As noted in Conclusion of Law number 9 of that decision, "pumped storage projects larger than 50 MW should be evaluated by utilities in their generation solicitations for new capacity in other proceedings." In keeping with its prior directive regarding large pumped storage resources, the Commission should now expressly include long-term pumped storage procurement issues in the stated scope of the 2014 LTPP Proceeding.[9]

We further note that while the encouragement of large pumped hydro was included in D.13-10-040, these resources were specifically *excluded* from the procurement targets established in that decision. Accordingly, the procurement of pumped storage resources larger than 50 MW has "not already [been] considered in other procurement-related dockets" specified in the OIR or elsewhere, and this issue can thus appropriately fall within the scope of the 2014 LTPP.[10]

B. Interagency Cooperation Should be Expanded to Include the California Air Resources Board

Section 3.2 of the Preliminary Scoping Memo outlines the interagency cooperation regarding long-term planning among the Commission, the California Energy Commission ("CEC") and the California Independent System Operator ("CAISO"). Eagle Crest encourages the Commission to include the California Air Resource Board ("CARB") among the listed agencies that the Commission will coordinate with during the course of the 2014 LTPP Proceeding. Coordinating with CARB will be important given its leadership role in and responsibility for implementation of the State's GHG statute. Its involvement will ensure that the Commission, together with the CEC and CAISO, are successful in implementing the correct planning framework to achieve the State's short and long-term climate objectives.

C. Long-Term System and Local Reliability Resource Planning Should Consider Both Long- and Short-Term GHG Goals

Section 3.3 of the Preliminary Scoping Memo notes that the Commission "anticipate[s] that the electricity system needs to: 1) integrate renewable and other preferred resources; 2) support OTC policy implementation; 3) maintain local reliability; 4) respond to variations in

[8] Commission Decision 13-10-040, *Decision Adopting Energy Storage Procurement Framework and Design Program* (October 17, 2013) at p.36.
[9] We note that while the Commission encouraged
[10] *See* OIR at p. 14.

load; and 5) meet GHG goals."[11] Eagle Crest requests that the Commission modify clause 5 of this statement to say "meet **long- and short-term** GHG goals." As explained above, the procurement decisions made pursuant to this 2014 long-term planning cycle will have major impacts on the State's ability to achieve its 2050 climate objectives. The Commission should accordingly recognize that the electricity system will need to meet not only immediate climate change goals, but also the State's long-range GHG reduction objectives as well.

III. CONCLUSION

Eagle Crest urges the Commission to make the changes proposed in these comments.

Respectfully submitted,

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[11] OIR at p. 11.